

NORTHWEST LOUISIANA COUNCIL

OF GOVERNMENTS

SHREVEPORT, LOUISIANA

JUNE 30, 2003

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

January 16, 2004

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying general-purpose financial statements of Northwest Louisiana Council of Governments, as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Northwest Louisiana Council of Governments, as of June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2004 on our consideration of the Council's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Heard, McElroy & Vestal, LLP

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2003

<u>A S S E T S</u>	<u>Governmental Fund Type General Fund</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
Cash-Note 10	238,023	-	238,023
Federal grant receivables	106,515	-	106,515
Local receivables-Note 7	154,249	-	154,249
Prepaid expenses	437	-	437
Other assets-Note 11	6,752	-	6,752
General fixed assets-Note 5	-	149,603	149,603
Less-accumulated depreciation	<u>-</u>	<u>(127,694)</u>	<u>(127,694)</u>
Total assets	<u>505,976</u>	<u>21,909</u>	<u>527,885</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities:</u>			
Accounts payable	125,000	-	125,000
Accrued compensated absences-Note 3	27,794	-	27,794
Due to grantors	<u>47,191</u>	<u>-</u>	<u>47,191</u>
Total liabilities	199,985	-	199,985
<u>Fund equity:</u>			
Fund balance-unreserved	305,991	-	305,991
Investment in general fixed assets	<u>-</u>	<u>21,909</u>	<u>21,909</u>
Total fund equity	<u>305,991</u>	<u>21,909</u>	<u>327,900</u>
Total liabilities and fund equity	<u>505,976</u>	<u>21,909</u>	<u>527,885</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCE-GOVERNMENTAL FUND TYPE

FOR THE YEAR ENDED JUNE 30, 2003

	<u>General Fund</u>
<u>Revenues:</u>	
Federal grants	526,087
Local funds	219,294
Interest and miscellaneous	<u>2,470</u>
Total revenues	747,851
<u>Expenditures:</u>	
Direct grant cost	236,177
Indirect grant cost-Note 6	426,476
Other contract costs	41,845
Nonproject cost	<u>37,600</u>
Total expenditures	<u>742,098</u>
<u>Excess of revenues over expenditures</u>	5,753
<u>Transfers-fixed assets purchased by general fund, net of depreciation and book value of assets disposed</u>	26,341
<u>Fund balance at beginning of year</u>	<u>273,897</u>
<u>Fund balance at end of year</u>	<u>305,991</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Federal grants	658,670	526,087	(132,583)
Local funds	229,830	219,294	(10,536)
Interest and miscellaneous	-	2,470	2,470
Total revenues	888,500	747,851	(140,649)
<u>Expenditures:</u>			
Direct grant cost	320,994	236,177	84,817
Indirect grant cost	564,506	426,476	138,030
Other contract costs	-	41,845	(41,845)
Nonproject cost	3,000	37,600	(34,600)
Total expenditures	888,500	742,098	146,402
<u>Excess of revenues over expenditures</u>	<u>-</u>	5,753	<u>5,753</u>
<u>Transfers-fixed assets purchased by general fund, net of depreciation and book value of assets disposed</u>		26,341	
<u>Fund balance at beginning of year</u>		<u>273,897</u>	
<u>Fund balance at end of year</u>		<u>305,991</u>	

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

1. Financial Reporting Entity

Northwest Louisiana Council of Governments (NLCOG) (formerly Shreve Area Council of Governments) was established October 25, 1966, under the authority of Louisiana R.S. 33:1321, et seq. under the pertinent section termed Intergovernmental Relations. The cities of Shreveport, Bossier City, and Minden, and the Parishes of Caddo, Bossier and Webster enacted resolutions authorizing the establishment of NLCOG under the referenced statutes. During the current year, NLCOG, as a metropolitan planning organization, received funding from various federal, state and local grants as further outlined below.

Louisiana Department of Transportation and Development (No. 736-09-0128) Federal Aid Project No. PL-0011(026), contract for Metropolitan Planning, Shreveport Urbanized Area, effective July 1, 2002, in the amount of \$361,611 of which the maximum federal share comprises \$289,289. Eighty percent (80.00%) of the project is federally funded with the remaining twenty percent (20.00%) being funded through local monies.

Louisiana Department of Transportation and Development (No. 736-09-0129) FTA Project No. LA-80-X011, contract for Regional Planning, Shreveport Urbanized Area, effective July 1, 2002, in the amount of \$58,605 of which the maximum federal share comprises \$46,884. Eighty percent (80.00%) of the project is federally funded with the remaining twenty percent (20.00%) being funded through local monies.

Shreveport Transit Authority, funding for the support of transit planning projects, in the approximate amount of \$156,000. Eighty percent (80.00%) of the project is federally funded with the remaining twenty percent (20.00%) being funded through local monies.

Continuing local participation of the City of Shreveport, Caddo Parish Tax Assessor, Caddo Parish Communications District No. 1, and Caddo Parish Commission in a contract to develop and maintain a regional geographic information system for the creation of a digital map for Caddo Parish and the City of Shreveport. This project is funded predominantly with local monies.

Louisiana Department of Transportation and Development (No. 700-09-0153) Federal Aid Project No. STP-0901-(500), contract for Aerial Photography for Caddo Parish and coordination of a program to supply digitally generated terrain contours, effective February 5, 2001, in the amount of \$1,736,125, of which the maximum federal share comprises \$1,388,900. Eighty percent (80.00%) of the project is federally funded with the remaining twenty percent (20.00%) being funded through local monies.

2. Summary of Significant Accounting Policies

a. Fund Accounting

The accounts of NLCOG are organized on the basis of a general fund and a fixed asset account group. The operations of NLCOG are accounted for with a set of self-balancing accounts that comprise assets, liabilities, fund equity, revenues and expenditures. There is one generic fund type categorized as follows:

General Fund - The General Fund is the general operating fund of the Council, and is used to account for all financial resources.

b. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. All fixed assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Depreciation is provided on the general fixed assets and charged to the grants in accordance with OMB Circular A-87.

c. Prepaid Expenses

Expenditures for insurance and similar services that extend over more than one accounting period are capitalized and expensed as consumed.

d. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

e. Budgets and Budgetary Accounting

Budgets for NLCOG are prepared by the Executive Director as part of the Unified Planning Work Program (UPWP). The budget is then adopted by the Council. UPWP planning activities encompass a time frame of twelve months starting July 1, 2002, and ending June 30, 2003. These activities outline the joint efforts required of the Louisiana Department of Transportation and Development, NLCOG, the Cities of Shreveport and Bossier, the Parishes of Caddo and Bossier, the Shreveport and Bossier City MPC's, Shreveport Mass Transit Personnel and affected agencies.

Budgets approved as conditions of the grants fall under the guidelines of the contractual requirements of those various grants. Budget revisions are approved by grantor agencies as required.

f. Presentation of Totals

Total of funds and account groups are presented for informational purposes, but are captioned "Memorandum Only" because they are not intended to be the equivalent of a consolidation.

3. Compensated Absences

Accumulated annual leave is accrued when incurred in the general fund.

Employees accrue annual leave under the following schedule:

<u>Employee Length of Service</u>	<u>Annual Leave Accrual</u>
Less than one year	.83 days per month
From one year to ten years	1.25 days per month
Ten years or more	1.67 days per month

A maximum of fifteen days of accrued unused annual leave may be carried forward to the succeeding fiscal year.

Sick leave is granted at the rate of .83 days per month for full-time regular service or, in the case of part-time employment, at the proportionate rate as determined by comparing the employee's standard work week to 40 hours. A maximum of 20 days can be carried forward to the succeeding fiscal year.

4. Pension Plan

Northwest Louisiana Council of Governments contributes to the NLCOG Employees Retirement Plan which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments on those contributions. As established by the pension plan agreement, each employee in active service is eligible to participate in the pension plan within three months from the entrance date on which he first becomes eligible to become a participant. Contributions made by an employee vest immediately and contributions made by the Council vest fully after six years of service. An employee who leaves the employment of the Council is entitled to his contribution plan accrued interest thereon, in addition to funds contributed by the Council, in accordance with the following vesting schedule:

<u>Years of Service</u>	<u>Participant's Vested Interest</u>
2	20%
3	40%
4	60%
5	80%
6	100%

Each employee contributes 9% of his earnings to the pension plan. The Council also required to contribute an amount equal to 9% of the employee's gross earnings.

During the year, the Council's required and actual contributions amounted to \$29,238 which was 9% of its current year covered payroll of \$324,900. Employee's required and actual contributions also amounted to \$29,238.

No pension provision changes occurred during the year that affected the required contributions to be made by the Council or its employees.

The pension plan held no securities of the Council or other related parties during the year or as of the close of the fiscal year.

5. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

Balance July 1, 2002	149,603
Additions	-
Retirements or dispositions	-
Balance June 30, 2003	<u>149,603</u>

Depreciation is recorded in the general fixed asset group of accounts, as it constitutes a component of indirect costs. Fixed assets consist of office furniture and equipment, and are depreciated under the straight-line method over estimated useful lives of two to seven years.

6. Cost Allocation Method

Costs are allocated to NLCOG's grants pursuant to a method of allocation as required by Office of Management and Budget Circulars A-87 and A-102. Indirect costs and fringe benefits were applied to the grants during the year, generally under a provisional rate of 132.91% of direct labor. As a result of the audit, the actual indirect and fringe rate was computed at 180.57%.

7. Local Support

Local supporting governments provide cash or in-kind services in fulfilling the matching requirements of federal and state grants. Local supporting governments are billed for support in accordance with amounts established by agreement and the annual budget.

8. Members of Governing Board-Compensation

During the audit period no compensation or per diem was paid to any member of the governing board by NLCOG.

9. Operating Leases

Northwest Louisiana Council of Governments leases its office space for approximately \$3,600 per month under an operating lease that expires in November 2007. Total rent expense amounted to \$38,339 for the year ended June 30, 2003. Future minimum lease payments under this lease for the next five years at June 30, 2003 are as follows:

June 30, 2004	42,666
June 30, 2005	43,942
June 30, 2006	44,854
June 30, 2007	46,130
June 30, 2008	<u>19,601</u>
	<u>197,193</u>

10. Cash

Cash deposits (bank balances) with financial institutions amounted to \$254,365 at June 30, 2003, and were protected by deposit insurance up to \$100,000. The Council was exposed to risk of loss on the excess, which is a technical violation of state law. The Council has entered into an agreement with its financial institution to collateralize its excess deposits.

11. Other Assets

Other assets include amounts due from employees totaling \$5,138 at June 30, 2003. Advances by a governmental entity to others, including employees, is a violation of state law; NLCOG has implemented a policy that strictly forbids such advances.

SUPPLEMENTARY INFORMATION

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January 16, 2004

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Independent Auditor's Report on Supplementary Information

We have audited the general-purpose financial statements of Northwest Louisiana Council of Governments, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 16, 2004. These general-purpose financial statements are the responsibility of the Northwest Louisiana Council of Governments' management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of Northwest Louisiana Council of Governments taken as a whole. The accompanying supplementary information on Pages 10 through 13 is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the general-purpose financial statements. The information in those schedules has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Heard, McElroy & Vestal, LLP

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NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES AND EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2003

	<u>FHWA</u> <u>736-09-0128</u>	<u>FTA</u> <u>LA-80-X011</u>	<u>SporTran</u>
<u>Revenues:</u>			
Federal grant	289,289	46,881	156,441
Local funds	146,324	23,718	-
Interest and other	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	435,613	70,599	156,441
<u>Expenditures:</u>			
Direct labor	155,258	25,162	55,757
Indirect costs	280,355	45,437	100,684
Nonproject costs	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>435,613</u>	<u>70,599</u>	<u>156,441</u>
<u>Excess (deficiency) of revenues</u> <u>over expenditures</u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

<u>Aerial Photography</u>	<u>Non- Project Specific</u>	<u>Total</u>
33,476	-	526,087
8,369	40,883	219,294
-	2,470	2,470
<u>41,845</u>	<u>43,353</u>	<u>747,851</u>
-	-	236,177
-	-	426,476
-	37,600	37,600
<u>41,845</u>	<u>-</u>	<u>41,845</u>
<u>41,845</u>	<u>37,600</u>	<u>742,098</u>
<u>-</u>	<u>5,753</u>	<u>5,753</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

COMPUTATION OF INDIRECT COST RATE

FOR THE YEAR ENDED JUNE 30, 2003

Indirect costs:

Telephone	13,425
Internet service	7,236
Postage	1,982
Building rent	38,339
Supplies	10,932
Travel and education	25,935
Professional fees	14,212
Bonding and insurance	1,357
Small equipment purchases and maintenance	65,622
Dues and publications	2,999
Printing	3,702
Depreciation	26,341
Advertising	518
Vacation	21,534
Holidays	15,981
Sick leave	4,901
Salaries	78,693
Retirement	29,238
Health insurance	55,781
Workman's comp insurance	1,810
Other	<u>5,938</u>
Total	<u>426,476</u>

	<u>Direct</u> <u>Labor</u>	<u>Actual</u> <u>Indirect</u> <u>Cost</u>	<u>Actual</u> <u>Indirect</u> <u>Rate</u>
FHWA 736-09-0128	155,258	280,355	
FTA LA-80-X011	25,162	45,437	
SporTran	<u>55,757</u>	<u>100,684</u>	
	<u>236,177</u>	<u>426,476</u>	<u>1.8057</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2003

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed through the Louisiana Department of Transportation and Development:				
Metropolitan Planning	20.205	289,289	289,289	289,289
Aerial Photography	20.205	1,388,900	<u>33,476</u>	<u>33,476</u>
			322,765	322,765
 Regional Planning	 20.505	 46,881	 46,881	 46,881
 Passed through the City of Shreveport:				
Federal Transit Formula Grants	20.507	156,441	<u>156,441</u>	<u>156,441</u>
Total			<u>526,087</u>	<u>526,087</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2003

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northwest Louisiana Council of Governments and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

Northwest Louisiana Council of Governments did not pass through any of its federal awards to a subrecipient during the fiscal year, nor did it expend any federal awards in the form of noncash assistance.

OTHER REPORTS

January 16, 2004

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

We have audited the general-purpose financial statements of Northwest Louisiana Council of Governments as of and for the year ended June 30, 2003, and have issued our report thereon dated January 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Council's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2003-01 through 2003-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Council's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2003-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be

material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information of the board of directors, management, federal awarding agencies and pass-through entities, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, M^c Elroy & Vestal LLP

January 16, 2004

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Northwest Louisiana Council of Governments with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Northwest Louisiana Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northwest Louisiana Council of Governments' management. Our responsibility is to express an opinion on Northwest Louisiana Council of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwest Louisiana Council of Governments' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest Louisiana Council of Governments' compliance with those requirements.

In our opinion, Northwest Louisiana Council of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Northwest Louisiana Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northwest Louisiana Council of Governments' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies and pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLP

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2003

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Northwest Louisiana Council of Governments.
2. One reportable condition relating to the audit of the financial statements is reported.
3. Three instances of noncompliance material to the financial statements of Northwest Louisiana Council of Governments were disclosed during the audit.
4. No reportable conditions relating to the audit of a major federal award program is reported.
5. The auditor's report on compliance for major federal award programs of Northwest Louisiana Council of Governments expresses an unqualified opinion.
6. There are no audit findings relative to major federal award programs of Northwest Louisiana Council of Governments.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
Metropolitan Planning	20.205
Aerial Photography	20.205

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Northwest Louisiana Council of Governments was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

2003-01 – Compliance Finding

Statement of Condition: The Council did not submit its audit report for the year ended June 30, 2003 within six months of its year end as required by state law.

Criteria: Louisiana state law requires auditees to submit their audit reports within six months after their fiscal year end.

Effect of Condition: The agency was not in compliance with state law.

Recommendation: We recommend that agency take necessary steps to ensure audit is submitted timely in the future.

Response: We will begin preparing for our annual audit earlier in the year, and make sure that all information is available to our independent auditor in a more timely manner.

2003-02 – Compliance Finding

Statement of Condition: The Council maintained checking accounts in a financial institution whose balances, individually or collectively, exceeded FDIC-insured limits at various times during the fiscal year.

Criteria: Louisiana state law requires that amounts on deposit that exceed FDIC-insured limits be secured by qualifying investment securities owned by the financial institution.

Effect of Condition: The Council was not in compliance with state law, and was exposed to risk of loss of deposited amounts of funds that were in excess of \$100,000.

Recommendation: The Council should immediately take the necessary steps with its financial institution to secure the unprotected portion of its deposits.

Response: As a result of this finding in last year's audit, we placed an application with our financial institution to secure our excess deposits with qualifying securities. This application was lost. We now have an executed pledge agreement with our financial institution.

2003-03 – Compliance Finding

Statement of Condition: The Council continued allowing various employees to charge personal expenses on the Council's credit card or other vendor accounts. Such charges totaled \$22,198 during the fiscal year ended June 30, 2003, and \$8,044 subsequent to June 30, 2003. In addition, a one week cash advance of \$7,000 was made to an employee subsequent to June 30, 2003.

Criteria: Loans and advances to or for any person by any state political subdivision is prohibited by the Louisiana Constitution in Article 7, Section 14.

Effect of Condition: The Council was not in compliance with state law, and places itself at risk of financial loss for amounts advanced.

Recommendation: We repeat our recommendation from the prior year, that the Council require that only expenses related to Council business be charged on the Council's credit card, and that any outstanding advances by the Council to employees be repaid as soon as possible. We also recommend that the Council not engage in the direct advancing of funds to any employee, and that employee personal expenses not be charged on the Council's vendor accounts.

Response: We agree with the recommendation, and have implemented a policy prohibiting any use of Council credit cards or vendor accounts for personal expenses of employees. All individual credit cards have been canceled, and a single office credit card under management control is now used. In addition, all outstanding amounts of advances owed to the Council have been repaid.

2003-04 – Material Weakness

Statement of Condition: The Council did not maintain invoice support for charges and reimbursements in an orderly manner, and had difficulty in locating supporting documentation in a timely manner during the audit process.

Criteria: Louisiana state law and accepted accounting practice require that adequate records be maintained to support the financial statements.

Effect of Condition: Considerable additional time and effort by Council personnel and the independent auditor were required to complete the financial audit.

Recommendation: We recommend that the Council review its financial records for the current and succeeding fiscal years, and determine that all documentary support is in place and arranged in an orderly and systematic manner that minimizes the time necessary for retrieval.

Response: We agree with this recommendation, and are arranging our files accordingly.

C. Findings and Questioned Costs - Major Federal Award Programs

None

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2003

2002-1 Cash Balances in Bank Not Fully Protected

Repeat comment; see Finding 2003-02.

2002-2 Advances of Funds

Repeat comment; see Finding 2003-03.